



A U D I T O R - G E N E R A L

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25 November 2005

**AUDIT REPORT OF VHEMBE DISTRICT MUNICIPALITY FOR THE FINANCIAL
YEAR ENDED 30 JUNE 2005**

The above-mentioned report of the Auditor-General is submitted in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004), read in conjunction with section 188 of the Constitution of the Republic Of South Africa, 1996 (Act No. 108 of 1996).

Copies of this audit report have also been forwarded to the Mayor, the National Department of Provincial and Local Government, Provincial Treasury as well as the Provincial Department of Local Government and Housing, Polokwane.

Your co-operation is appreciated.

ML Nevhatalu
For: Auditor-General

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Received 25/11/2005
M. Nevhatalu



REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE COUNCIL ON THE FINANCIAL STATEMENTS OF VHEMBE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 1 to 27, for the year ended 30 June 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Accounting Officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with the Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Vhembe District Municipality at 30 June 2005 and the results of its operations and cash flows for the year then ended, in accordance with the Institute of Municipal Finance Officers (IMFO) in its Code of Accounting Practice (1997) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

4 EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Unauthorised Expenditure

4.1.1 Contract amount exceeded

No council resolution to approve an over expenditure on project amounting to R1 115 322, could be provided for audit purposes. This was as a result of lack of proper monitoring of projects.

4.2 Non-compliance with laws

4.2.1 None Contribution to CDF

No minimum contribution of 1 percent of the defined income of a local authority for the immediately preceding financial year was made by Vhembe District Municipality to the Capital Development Fund during the year ended 30 June 2005. Vhembe District Municipality's Accounting Policy number 5.1 and Ordinance No 9 of 1978 were not adhered to.

4.3 Weakness in internal control system

4.3.1 Amount budgeted for projects but not spent

A total amount of R10 498150 budgeted for some projects in 2004/2005 financial year was not utilised and no proper explanation could be provided. This was as a result of poor project management or lack of capacity.

4.3.2 Mayor's Discretionary fund

An amount totaling R56 941 was spent by the Mayor from Discretionary Fund during the financial year, which is no longer applicable in terms Municipal Finance Management Act, 2003.

4.3.4 Cash and Bank do not reconcile to financial statements

The closing balance of bank and bank as at 30 June 2005 was shown in the financial statements as R102 958 590 whereas the closing reconciling statements showed R102 970 183, resulting in a difference of R11 593. This was as a result of lacking proper framework for performing independent reconciliations and checks.